

Economic Overview

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The Mayor and City Council support proactively enhancing the local business climate, retaining existing businesses and jobs, and bringing new companies and industries to Colorado Springs. The City of Colorado Springs has a conservative portfolio of economic development programs. Economic development agreements primarily are executed with criteria that they must be performance-based agreements.

The following sections display the City's portion of shared revenue or direct payments provided for economic development efforts through Urban Renewal Areas, Economic Development Partners, Economic Development Programs, and other Economic Development Agreements.

Urban Renewal Areas

City Council approved eight Urban Renewal Areas (URAs) in the City: North Nevada, South Central Downtown (Lowell project), Southwest Downtown, City Auditorium, Gold Hill Mesa, CityGate, Ivywild Neighborhood, and Copper Ridge. All eight have a Tax Increment Financing (TIF) agreement in place for property tax sharing. Tax increment financing (TIF) is a method of redistributing tax collections within a designated area to finance public infrastructure improvements within the specified geographic area. Infrastructure improvements may include upgraded on-site drainage systems and adjacent intersection, roadway capacity, and pedestrian improvements, etc. Currently, only the North Nevada and Ivywild Neighborhood URAs have additional sales tax sharing agreements.

Property Tax TIF

This funding comes from the additional new property tax revenue generated from the increased assessed value of the new development. Only the increment of increased tax revenue collected is shared.

Sales Tax TIF

City Council approved Resolution No. 46-06, dated April 11, 2006, adopting guidelines for the use of sales tax revenue to promote economic activity, job creation, and assist urban renewal area projects. This funding comes from a portion of the new sales tax revenue generated from the new retail businesses that locate within the designated boundaries.

	2011 Actual	2012 Actual	2013 Budget	2014 Budget
<u>Property Tax Revenue*</u>				
City Auditorium URA	\$720	\$1,137	\$1,085	\$1,104
CityGate URA	120	369	865	808
Copper Ridge at Northgate URA	3,561	2,874	2,971	21,406
Gold Hill Mesa URA	13,474	13,704	15,433	19,176
Ivywild Neighborhood URA	0	0	904	1,578
North Nevada URA	55,091	60,216	62,718	69,951
South Central Downtown URA (Lowell project) [†]	13,717	13,010	12,886	0
Southwest Downtown URA	0	0	4	0
Vineyard Property URA	0	0	0	6,060
<u>Shared Sales Tax Revenue**</u>				
Ivywild Neighborhood URA	\$0	\$0	\$0	\$50,000
North Nevada URA	1,991,973	2,422,334	2,750,000	3,060,000

* Property tax revenue is collected by the El Paso County Treasurer and disbursed directly to the URA.

** Sales tax revenue is collected by the City's Sales and Use Tax Division. The revenue is disbursed directly to the URA and budgeted in the General Cost section.

† The South Central Downtown URA has reached the end of its lifespan and no longer produces an increment.

Economic Development Partners

The City of Colorado Springs partners with the following four organizations to support regional economic development efforts in the arts/cultural and business environments:

Colorado Springs Technology Incubator (CSTI) is a non-profit organization dedicated to helping entrepreneurs accelerate the growth and success of their startup companies, and in the process, creates more jobs and wealth in the region. CSTI provides strategic counsel, operational guidance, business services and resources to its start-up clients including: business planning, executive mentoring, investor relations, financial forecasting, competitor analysis, business networking, market research, training courses, and affordable facilities.

Small Business Development Center (SBDC) is one of the 14 Colorado Small Business Development Centers. The Colorado SBDC Network is a partnership between the Federal Small Business Administration (SBA) and the State of Colorado. The SBDC is dedicated to helping small businesses in the region achieve their goals of growth, expansion, innovation, increased productivity, management improvement and success. In partnership with the University of Colorado Springs (UCCS) and the City, the SBDC provides one-on-one business counseling and training to business startups and ongoing businesses. The major objective is to foster the successful growth and development of small businesses that result in a positive economic impact.

Colorado Springs Regional Business Alliance (pk: Economic Development Corporation and Greater Colorado Springs Chamber of Commerce) is a privately-funded organization whose sole purpose is to provide primary employers with complementary, comprehensive relocation and expansion services. The Business Alliance is focused on the attraction, retention, and creation of quality jobs for the region. It is the only organization that actively works to bring into our region the primary employers who import wealth and jobs. The success of our primary employers is the key to our economic vitality, the future of our community, and the preservation of our quality of life in the entire region.

Cultural Office of the Pikes Peak Region (COPPeR) serves as the lead organization for centralizing and coordinating information about cultural services in the community. COPPeR maintains a comprehensive community arts and cultural web site, PeakRadar.com, in efforts to build cultural

participation in the region, foster sustainability of the region's cultural arts industry, advocate for the region's cultural vitality, leverage cultural assets to promote positive regional brand and image, and foster authenticity by celebrating aspects unique to our region's heritage and future. Cultural elements of a community continue to be paramount in workforce availability. National studies continue to show an upward trend indicating that young professionals move to "cool" communities first and then seek employment. Local companies convey that they are successful in recruiting specialized talent but struggle to retain these employees because their young people "can't get plugged-in" to Colorado Springs. COPPeR helps to bridge this gap.

Expenditures	2011 Actual	2012 Actual	2013 Budget	2014 Budget
Colorado National Defense Support Coalition	\$0	\$0	\$20,000	\$0
Colorado Springs Regional Business Alliance (pka: Economic Development Corporation and Colorado Springs Chamber of Commerce)*	70,000	70,000	70,000	70,000
Colorado Springs Technology Incubator (CSTI)*	50,000	50,000	25,000	10,000
COPPeR**	39,000	39,000	39,000	43,000
Innovations In Aging – Aging in El Paso County	0	0	0	20,000
Small Business Development Center (SBDC)*	50,000	50,000	50,000	55,000
Annual Expenditures	\$209,000	\$209,000	\$204,000	\$198,000

* Funding prior to 2013 was budgeted in the General Cost section.

** Funding prior to 2013 was budgeted from the City's share of the Lodgers and Automobile Rental Tax (LART).

Note: For 2013 and 2014, the funding for all of the above agencies is budgeted in the Lodgers and Automobile Rental Tax (LART). City payment of funds to the agencies is contingent upon each agency submitting a formal request, outline of use of funds, and necessary supporting documentation.

Economic Development Programs

Economic Development Programs are available to all companies that meet certain criteria and proceed with a formal agreement with the City. These programs include the Alternative Rate of Tax Exemption for Manufacturing Equipment, Business Personal Property Tax, and the issuance of Private Activity Bonds.

ALTERNATIVE RATE OF TAX EXEMPTION FOR MANUFACTURING EQUIPMENT

City Council authorized this program by Resolution No. 22-09, dated January 27, 2009. This program offers a payment based upon a sliding scale of City sales tax rates for purchases of equipment and machinery used in manufacturing operations during a calendar year. The alternate tax rate applies to annual purchases exceeding \$5 million and decreases to zero tax on purchases over \$20 million. These payments are dependent upon the company's annual purchases of machinery and equipment, and the budget estimate may vary significantly so a supplemental appropriation may be necessary once the actual dollar amounts are known.

<u>Alternative Tax Agreement Payments</u>	2011 Actual	2012 Actual	2013 Budget	2014 Budget
Medical imaging manufacturing company	\$66,236	\$0	\$40,000	\$43,500

BUSINESS PERSONAL PROPERTY TAX AGREEMENTS

City Council reauthorized this program by Resolution No. 203-04, dated September 28, 2004. The Business Personal Property Tax (BPPT) Agreement program is only available to primary employer

companies. A primary employer is a business entity that derives at least 50% of its principal source of gross annual income from the sale of products or services outside of El Paso County. In addition, the company must create at least 10 new jobs and have over \$1 million in business personal property value over the term of the agreement. Businesses pay personal property taxes to the City on equipment used to conduct business, such as large machinery, computer equipment, desks and furniture. The payments are 50% of City taxes paid on investments of \$1 to \$5 million and 90% on investments exceeding \$5 million. The term for a standard BPPT agreement is 4 years and requires the company to create at least 10 new jobs in addition to the investment. If the company meets the investment criteria and creates at least 100 jobs, the company is then eligible for a 10-year agreement. A 10-year agreement may be extended an additional 5 years (for a maximum total of 15 years) if the company invests over \$75 million and hires over 500 employees.

There are several companies with BPPT agreements.

Description	2011 Actual	2012 Actual	2013 Budget	2014 Budget
Amount paid to companies	\$107,980	\$177,366	\$100,000	\$200,000

PRIVATE ACTIVITY BONDS

On April 28, 1998, El Paso County Board of County Commissioners and City Council jointly adopted Private Activity Bond procedures by Resolution No. 98-247, General 69 and Resolution No. 72-98. Private Activity Bonds (PABs) are a form of tax-exempt financing in which the City or County acts as the issuer. The advantage of PABs is financing through the City or County provides funds at lower-than-market interest rates because bond proceeds are exempt from Federal and State income tax. There is no financial risk to the City or County since the bond debt is repaid by the entity requesting the PAB and financings do not constitute a debt or financial obligation of the City or County. The City has not issued any PABs since 2007.

Economic Development Agreements

Due to the City of Colorado Springs limited and conservative portfolio of economic development programs, some projects require economic impact analysis and separate economic development agreements (EDA). The City has several EDAs as listed below:

Shared Sales and Use Tax Revenue	2011 Actual	2012 Actual	2013 Budget	2014 Budget
Agilent Technologies	\$0	\$0	\$0	\$20,000
Bal Seal Engineering	0	0	0	500,000
Hewlett-Packard	0	0	0	0
Lowe's	0	0	50,000	50,000
Mining Exchange	0	7,422	27,000	55,000
Wal-Mart	0	0	0	50,000

SkyWest Airlines Use Tax Agreement

In 2004, City officials worked with SkyWest Airlines representatives to secure an aircraft maintenance center and flight crew base in Colorado Springs. City Council approved an EDA based upon the City Use Tax paid by SkyWest on purchases of aircraft parts. The City retains a maximum of \$40,000 annually in Use Tax from SkyWest's qualifying purchases of aircraft parts; any Use Tax collected by the City in excess of \$40,000 the company keeps under the EDA.

United States Olympic Committee (USOC) Certificate of Participation (COP) Payment

In August 2009, the City Council approved an EDA that kept the United States Olympic Committee (USOC) in Colorado Springs for the next 30 years. The EDA included funding of improvements for the USOC headquarter building, the National Governing Bodies building and the Olympic Training Center (OTC).

<u>USOC COP Payment*</u>	2011 Actual	2012 Actual	2013 Budget	2014 Budget
Scheduled amount	\$1,614,640	\$1,621,675	\$1,658,875	\$1,700,275

* These payments are budgeted in the General Cost section.

UTILITY USAGE AGREEMENTS

In 2006, City Council approved two 10-year EDAs with two companies: a medical imaging manufacturing company, and an insurance company, which established local regional headquarters in Colorado Springs. Under these EDAs, the City provides a payment to the company based upon their electric and natural gas utility usage. These agreements:

- Do not involve any sharing of existing revenue;
- Target new utility revenue generated directly from the company;
- Establish the payment on a use and percentage basis, which therefore reduces the City's risk (if revenue collections underperform) since the payment is not tied to a specific annual amount; or
- Minimize financial risk since the payment is strictly performance-based, and revenue is returned only after it is collected.

<u>Utility Usage Rebates*</u>	2011 Actual	2012 Actual	2013 Budget	2014 Budget
Medical imaging manufacturing company	\$145,100	\$202,584	\$200,000	\$200,000
Insurance company regional headquarters	118,743	116,141	120,000	110,000
Annual Payments	\$263,843	\$318,725	\$320,000	\$310,000

* Actuals are for the previous year utility usage. These payments are budgeted in the General Cost section.

For information about the local economy and Southern Colorado Economic Forum's *Quarterly Updates and Estimates* (QUE), please contact the:



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